Government of Canada / Gouvernement du Canada

Department of Finance Canada

Canada

The Fiscal Monitor
A publication of the Department of Finance

The Fiscal Monitor provides an overview of monthly and year-to-date financial results for the Government of Canada. It is prepared in accordance with the same accounting policies used in the annual audited financial statements of the Government of Canada. Summary financial results reported in *The Fiscal Monitor* are based on financial transactions recorded in the Accounts of Canada, maintained by the Receiver General for Canada.

Highlights

March 2016: budgetary deficit of $9.4 billion

There was a budgetary deficit of $9.4 billion in March 2016, compared to a budgetary deficit of $3.0 billion reported for March 2015. Revenues decreased by $5.0 billion, reflecting significant decreases in income tax revenues and other revenues, partially offset by an increase in excise taxes and duties. Program expenses increased by $1.3 billion, or 4.4 per cent, mainly reflecting an increase in direct program expenses. Public debt charges increased by $0.1 billion, or 7.0 per cent, reflecting higher consumer price adjustments on Real Return Bonds.

April 2015 to March 2016: budgetary deficit of $2.0 billion

For the April to March period of the 2015–16 fiscal year, the Government posted a budgetary deficit of $2.0 billion, compared to a surplus of $2.9 billion reported for the same period of 2014–15. Revenues were up $10.6 billion, or 3.8 per cent, reflecting increases in total tax revenues and Employment Insurance (EI) premium revenues, partially offset by a decline in other revenues. Program expenses were up $16.6 billion, or 6.6 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges were down $1.1 billion, or 4.1 per cent, largely reflecting a lower average effective interest rate on the stock of interest-bearing debt.

The April 2015 to March 2016 monthly results are not the final results for the year as a whole. The final results will also reflect end-of-year adjustments that will be made once further information becomes available, including the accrual of tax revenues reflecting assessments of tax returns. In addition, these results do not include the $3.7-billion fiscal impact of the Government's initiative to enhance veterans' benefits. Taking year-end adjustments into account, results to date are broadly in line with a small deficit in 2015–16, as projected in Budget 2016.

The Government will release the final audited outcome for 2015–16 in the *Annual Financial Report of the Government of Canada* in the fall.

March 2016

There was a budgetary deficit of $9.4 billion in March 2016, compared to a deficit of $3.0 billion in March 2015.

Revenues in March 2016 totalled $24.1 billion, down $5.0 billion from March 2015.

- Personal income tax revenues were down $1.1 billion, or 9.4 per cent.
- Corporate income tax revenues were down $2.1 billion, or 37.3 per cent. Corporations are generally required to remit monthly instalment payments for the current year based on either their previous year's actual tax liability or their current year's projected tax liability. This practice

can introduce a lag in the impact of economic events on monthly corporate income tax revenues, which only unwinds near the end of the fiscal year.

- Non-resident income tax revenues were down $0.2 billion, or 24.8 per cent.
- Excise taxes and duties were up $0.5 billion, or 15.0 per cent. Goods and Services Tax (GST) revenues increased by $0.4 billion, energy taxes and customs import duties each increased by $0.1 billion, and other excise taxes and duties decreased by $30 million.
- EI premium revenues were down $0.1 billion, or 3.8 per cent.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, revenues from sales of goods and services, returns on investments, net foreign exchange revenues and miscellaneous revenues, were down $2.0 billion, or 36.7 per cent. This decline is largely the result of a significant increase in Crown corporation revenues in March 2015, which did not reoccur in 2016.

Program expenses in March 2016 were $31.5 billion, up $1.3 billion, or 4.4 per cent, from March 2015.

- Major transfers to persons, consisting of elderly, EI and children's benefits, decreased by $0.1 billion, or 1.2 per cent. Elderly benefits increased by $0.1 billion, or 3.1 per cent, due to growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments decreased by $0.5 billion, or 25.3 per cent, reflecting in part year-over-year differences in the timing of payments. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit (UCCB), increased by $0.3 billion, or 28.4 per cent, largely reflecting increased benefits related to the enhancement and expansion of the UCCB in 2015.
- Major transfers to other levels of government consist of federal transfers in support of health and other social programs (primarily the Canada Health Transfer and the Canada Social Transfer), fiscal arrangements and other transfers (Equalization, transfers to the territories, as well as a number of smaller transfer programs), transfers to provinces on behalf of Canada's cities and communities, and the Quebec Abatement. Major transfers to other levels of government decreased by $0.2 billion, or 2.7 per cent, largely reflecting a year-over-year increase in estimated recoveries under the Quebec Abatement.
- Direct program expenses include transfer payments to individuals and organizations not included in major transfers to persons and other levels of government, and other direct program expenses, which consist of operating expenses of National Defence, other departments and agencies, and expenses of Crown corporations. Direct program expenses were up $1.5 billion, or 8.8 per cent. Within direct program expenses:
  - Transfer payments increased by $0.1 billion, or 0.8 per cent.
  - Other direct program expenses increased by $1.5 billion, or 14.3 per cent, due mainly to an increase in year-end valuation adjustments for assets and liabilities and an increase in pension and benefit costs.

Public debt charges increased by $0.1 billion, or 7.0 per cent, reflecting higher consumer price adjustments on Real Return Bonds.

April 2015 to March 2016

For the April to March period of the 2015–16 fiscal year, there was a budgetary deficit of $2.0 billion, compared to a surplus of $2.9 billion reported during the same period of 2014–15.

Revenues increased by $10.6 billion, or 3.8 per cent, to $289.6 billion.

- Personal income tax revenues were up $4.5 billion, or 3.3 per cent.

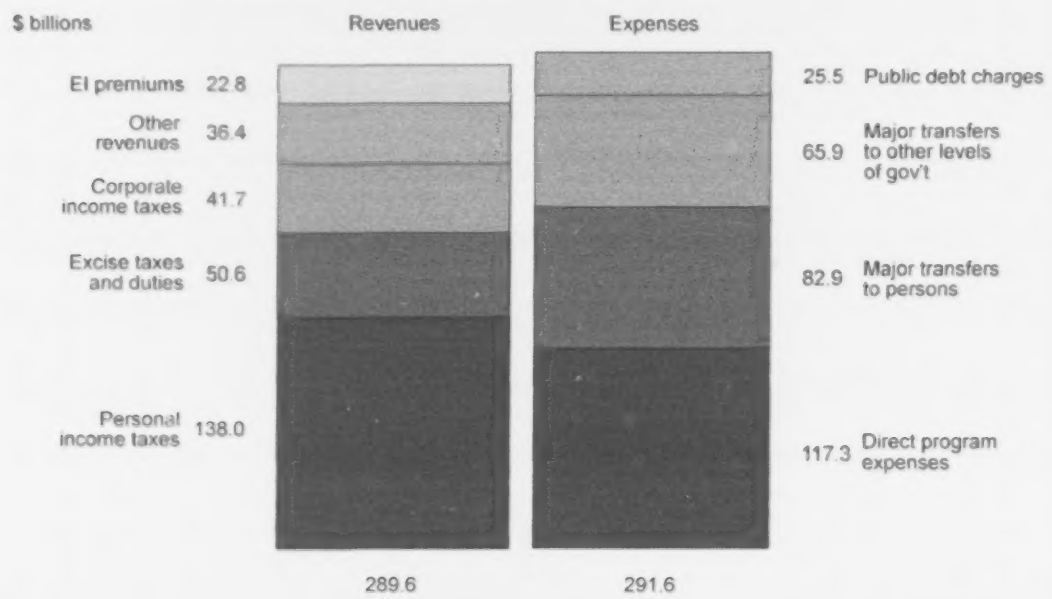
- Corporate income tax revenues were up $2.5 billion, or 6.3 per cent.
- Non-resident income tax revenues were up $6 million, or 0.1 per cent.
- Excise taxes and duties were up $3.8 billion, or 8.2 per cent. GST revenues increased by $2.7 billion, or 8.6 per cent, energy taxes by $0.2 billion, customs import duties by $0.8 billion, and other excise taxes and duties by $0.2 billion.
- EI premium revenues were up $0.5 billion, or 2.1 per cent.
- Other revenues were down $0.7 billion, or 2.3 per cent, reflecting a number of factors including lower interest and penalty revenues.

Program expenses increased by $16.6 billion, or 6.6 per cent, to $266.0 billion.

- Major transfers to persons were up $7.7 billion, or 10.2 per cent. Elderly benefits increased by $1.7 billion, or 4.0 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by $1.1 billion, or 5.8 per cent, and children's benefits were up $4.9 billion, or 37.4 per cent, largely reflecting increased benefits related to the enhancement and expansion of the UCCB.
- Major transfers to other levels of government were up $2.7 billion, or 4.3 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.
- Direct program expenses were up $6.2 billion, or 5.5 per cent. Within direct program expenses:
  - Transfer payments decreased by $0.3 billion, or 0.9 per cent.
  - Other direct program expenses increased by $6.5 billion, or 8.6 per cent, largely reflecting an increase in year-end valuation adjustments for assets and liabilities and an increase in pension and benefit costs.

Public debt charges decreased by $1.1 billion, or 4.1 per cent, largely reflecting a lower average effective interest rate on the stock of interest-bearing debt.

Revenues and expenses (April 2015 to March 2016)



Note: Totals may not add due to rounding.

Financial requirement of $12.6 billion for April 2015 to March 2016

The budgetary balance is presented on an accrual basis of accounting, recording government revenues and expenses when they are earned or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary deficit of $2.0 billion and a financial requirement of $10.6 billion from non-budgetary transactions, there was a financial requirement of $12.6 billion for the April 2015 to March 2016 period, compared to a financial requirement of $4.3 billion for the same period the previous year.

Net financing activities up $22.5 billion

The Government financed its financial requirement of $12.6 billion and increased cash balances by $9.9 billion by increasing unmatured debt by $22.5 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds and treasury bills.

The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of March 2016 stood at $37.8 billion, up $9.9 billion from their level at the end of March 2015.

Table 1
Summary statement of transactions
$ millions

	March		April to March	
	2015	**2016**	**2014–15**	**2015–16**
Budgetary transactions				
Revenues	29,099	24,105	279,021	289,591
Expenses				
Program expenses	-30,175	-31,489	-249,448	-266,019
Public debt charges	-1,917	-2,052	-26,632	-25,536
Budgetary balance (deficit/surplus)	-2,993	-9,436	2,941	-1,964
Non-budgetary transactions	2,519	11,007	-7,214	-10,614
Financial source/requirement	-474	1,571	-4,273	-12,578
Net change in financing activities	35	-6,561	6,151	22,473
Net change in cash balances	-439	-4,990	1,878	9,895
Cash balance at end of period			27,952	37,845

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

Table 2
Revenues

	March			April to March		
	2015 ($ millions)	2016 ($ millions)	Change (%)	2014–15 ($ millions)	2015–16 ($ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax	11,531	10,452	-9.4	133,582	138,040	3.3
Corporate income tax	5,741	3,601	-37.3	39,223	41,701	6.3
Non-resident income tax	666	501	-24.8	6,378	6,384	0.1
Total income tax	17,938	14,554	-18.9	179,183	186,125	3.9
Excise taxes and duties						
Goods and Services Tax	2,085	2,462	18.1	30,997	33,673	8.6
Energy taxes	375	438	16.8	5,446	5,649	3.7
Customs import duties	392	473	20.7	4,558	5,372	17.9
Other excise taxes and duties	418	388	-7.2	5,734	5,888	2.7
Total excise taxes and duties	3,270	3,761	15.0	46,735	50,582	8.2
Total tax revenues	21,208	18,315	-13.6	225,918	236,707	4.8
Employment Insurance premiums	2,419	2,326	-3.8	22,354	22,831	2.1
Other revenues	5,472	3,464	-36.7	30,749	30,053	-2.3
Total revenues	29,099	24,105	-17.2	279,021	289,591	3.8

Note: Totals may not add due to rounding.

Table 3
Expenses

	March			April to March		
	2015 ($ millions)	2016 ($ millions)	Change (%)	2014–15 ($ millions)	2015–16 ($ millions)	Change (%)
Major transfers to persons						
Elderly benefits	3,786	3,903	3.1	43,763	45,494	4.0
Employment Insurance benefits	2,128	1,590	-25.3	18,382	19,440	5.8
Children's benefits	1,185	1,522	28.4	13,049	17,929	37.4
Total	7,099	7,015	-1.2	75,194	82,863	10.2
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,676	2,835	5.9	32,114	34,025	6.0
Canada Social Transfer	1,048	1,080	3.1	12,582	12,959	3.0
Total	3,724	3,915	5.1	44,696	46,984	5.1
Fiscal arrangements and other transfers[1]	1,972	1,844	-6.5	20,674	21,345	3.2
Canada's cities and communities	15	37	146.7	1,973	1,973	0.0
Quebec Abatement	-136	-371	172.8	-4,234	-4,451	5.1
Total	5,575	5,425	-2.7	63,109	65,851	4.3
Direct program expenses						
Transfer payments						
Aboriginal Affairs and Northern Development	1,952	1,484	-24.0	7,444	7,775	4.4
Agriculture and Agri-Food	417	270	-35.3	1,290	1,289	-0.1
Employment and Social Development	929	945	1.7	6,097	6,273	2.9
Foreign Affairs, Trade and Development	1,511	1,535	1.6	3,904	4,366	11.8

Health	319	333	4.4	2,949	2,985	1.2
Industry	414	467	12.8	2,399	1,404	-41.5
Other[1]	1,508	2,072	37.4	11,435	11,091	-3.0
Total	7,050	7,106	0.8	35,518	35,183	-0.9
Other direct program expenses						
Crown corporations	1,303	726	-44.3	8,227	8,562	4.1
National Defence	3,426	3,814	11.3	21,804	24,474	12.2
All other departments and agencies	5,722	7,403	29.4	45,596	49,086	7.7
Total other direct program expenses	10,451	11,943	14.3	75,627	82,122	8.6
Total direct program expenses	17,501	19,049	8.8	111,145	117,305	5.5
Total program expenses	30,175	31,489	4.4	249,448	266,019	6.6
Public debt charges	1,917	2,052	7.0	26,632	25,536	-4.1
Total expenses	32,092	33,541	4.5	276,080	291,555	5.6

Note: Totals may not add due to rounding.

[1] Comparative figures have been reclassified to conform to the presentation in the 2014-15 Consolidated Financial Statements of the Government of Canada.

Table 4
The budgetary balance and financial source/requirement
$ millions

	March		April to March	
	2015	**2016**	**2014–15**	**2015–16**
Budgetary balance (deficit/surplus)	-2,993	-9,436	2,941	-1,964
Non-budgetary transactions				
Capital investment activities	-251	-112	-3,801	-4,091
Other investing activities	-60	770	2,349	-5,340
Pension and other accounts	-85	-58	2,017	4,381
Other activities				
Accounts payable, receivables, accruals and allowances	7,748	8,706	1,526	282
Foreign exchange activities	-4,872	2,836	-12,756	-8,520
Amortization of tangible capital assets	39	-1,135	3,451	2,674
Total other activities	2,915	10,407	-7,779	-5,564
Total non-budgetary transactions	2,519	11,007	-7,214	-10,614
Financial source/requirement	-474	1,571	-4,273	-12,578

Note: Totals may not add due to rounding.

Table 5
Financial source/requirement and net financing activities
$ millions

	March		April to March	
	2015	**2016**	**2014–15**	**2015–16**
Financial source/requirement	-474	1,571	-4,273	-12,578
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	4,397	730	14,493	16,208
Treasury bills	-9,500	-4,100	-17,300	2,400
Retail debt	-23	4	-684	-585
Total	-5,126	-3,366	-3,491	18,023
Foreign currency borrowings	4,554	-1,232	4,237	2,215
Total	-572	-4,598	746	20,238
Cross-currency swap revaluation	125	-1,996	4,343	1,722
Unamortized discounts and premiums on market debt	168	49	1,112	751
Obligations related to capital leases and other unmatured debt	314	-16	-50	-238
Net change in financing activities	35	-6,561	6,151	22,473
Change in cash balance	-439	-4,990	1,878	9,895

Note: Totals may not add due to rounding.

Table 6
Condensed statement of assets and liabilities
$ millions

	March 31, 2015	March 31, 2016	Change
Liabilities			
Accounts payable and accrued liabilities	123,631	125,788	2,157
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	487,881	504,089	16,208
Treasury bills	135,692	138,092	2,400
Retail debt	5,660	5,075	-585
Subtotal	629,233	647,256	18,023
Payable in foreign currencies	20,267	22,482	2,215
Cross-currency swap revaluation	6,669	8,391	1,722
Unamortized discounts and premiums on market debt	4,296	5,047	751
Obligations related to capital leases and other unmatured debt	4,715	4,477	-238
Total unmatured debt	665,180	687,653	22,473
Pension and other liabilities			
Public sector pensions	152,664	151,950	-714
Other employee and veteran future benefits	76,140	81,636	5,496
Other liabilities	6,002	5,601	-401
Total pension and other liabilities	234,806	239,187	4,381
Total interest-bearing debt	899,986	926,840	26,854

Total liabilities	1,023,617	1,052,628	29,011
Financial assets			
Cash and accounts receivable	136,696	148,466	11,770
Foreign exchange accounts	85,018	93,538	8,520
Loans, investments, and advances (net of allowances)[1]	113,681	116,396	2,715
Public sector pension assets	1,263	1,263	0
Total financial assets	336,658	359,663	23,005
Net debt	686,959	692,965	6,006
Non-financial assets	74,629	76,046	1,417
Federal debt (accumulated deficit)	612,330	616,919	4,589

Note: Totals may not add due to rounding.

[1] March 31, 2016 amount includes $2.6 billion in other comprehensive losses from enterprise Crown corporations and other government business enterprises for the April 2015 to March 2016 period.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

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